

Message Text

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ORIGIN EB-06

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TO AMEMBASSY LA PAZ PRIORITY

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E.O. 11652:N/A

TAGS:ETRD, BL

SUBJECT:USG ASSISTANCE FOR COTTON SALES

REF: LA PAZ 6912

1. AFTER TWO BOOMING YEARS, THE MARKET FOR TEXTILES HAS TURNED SHARPLY DOWN IN THE PAST FEW MONTHS. IN LIGHT OF PRESENT MARKET CONDITIONS, MANY TEXTILE MILLS HAVE OVERBOUGHT RAW COTTON, IN SOME CASES PAYING PREMIUM PRICES TO DO SO. THE TOTAL WORLD PRODUCTION OF COTTON WILL PROBABLY BE SMALLER THIS YEAR THAN LAST YEAR, BUT DEMAND HAS FALLEN SO DRAMATICALLY, THAT THE DOWNWARD PRESSURE ON PRICES HAS STILL BEEN STRONG. EVEN AT THESE LOWER PRICES VERY LITTLE . COTTON IS PRESENTLY BEING BOUGHT ANY HERE, AND CARRYOVER STOCKS WILL PROBABLY INCREASE IN MOST COTTON PRODUCING COUNTRIES THIS YEAR.

2. WE APPRECIATE POSITIVE ROLE OF MIN AG IN LAST YEARS CONTRACT DISPUTE AND HAVE, CONSEQUENTLY, CONTACTED A NUMBER OF MERCHANTISERS AS WELL AS THE AMERICAN COTTON SHIPPERS

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ASSOCIATION (ACSA) IN ATTEMPT TO FIND SOME SOLUTION TO

BOLIVIA'S PROBLEM. COTTON SHIPPERS CONTACTED WERE ASKED TO GIVE BOLIVIAN COTTON FULL CONSIDERATION IN ANY PURCHASES WHICH THEY MADE. ALL SOURCES AGREE THAT, WHILE BOLIVIAN COTTON PRODUCERS COULD NOT WIN ANY POPULARITY CONTESTS, HEART OF DIFFICULTY IS PRESENT LOW GLOBAL DEMAND FOR COTTON. COOK INDUSTRIES AND ACSA ASSURES US THAT NO PUNATIVE DISCOUNT HAS BEEN APPLIED TO BOLIVIAN COTTON.

3. WITH REGARD TO SPECIFIC SALES OPPORTUNITIES, COTTON MERCHANTS REFUSE TO QUOTE A HYPOTHETICAL PRICE WITHOUT KNOWING FULL TERMS OF CONTRACT. MERCHANTS ARE ALSO RELUCTANT TO PROVIDE INFORMATION ON BUYERS SINCE THIS INFORMATION WOULD BE OF GREAT VALUE TO ANY COMPETITOR.

4. PRESUMABLY, SOME BOLIVIAN COTTON PRODUCERS ILL WISH TO BLAME US MERCHANTISERS FOR THEIR FAILURE TO SELL THEIR COTTON, AND THER IS NO DOUBT THAT LAST YEAR'S EVENTS DAMAGED BOLIVIA'S REPUTATION AS A RELIABLE COTTON TRADING PARTNER IN THE US AS WELL AS ELSEWHERE. HOWEVER, SO FAR AS WE CAN DISCOVER THERE HAS BEEN NO CONCERTED EFFORT IN THE US TO DISCRIMINATE AGAINST BOLIVIAN COTTON, AND WE BELIEVE YOU CAN REASSURE BOLIVIANS THAT WHEN DEMAND FOR COTTON BECOMES STRONG AGAIN THEY ILL HAVE NO DIFFICULTY FINDING BUYERS. MAW

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